

Ontario Mutual Insurance Association
Financial Statements
Year Ended December 31, 2021

ONTARIO MUTUAL INSURANCE ASSOCIATION
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December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Ontario Mutual Insurance Association

Opinion

We have audited the financial statements of Ontario Mutual Insurance Association (the Association), which comprise the statement of financial position as at December 31, 2021, and the changes of members' surplus, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Continues

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Waterloo, Ontario
February 9, 2022

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

ONTARIO MUTUAL INSURANCE ASSOCIATION
Statement of Financial Position and Changes in Members' Surplus
December 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 3,656,128	\$ 3,026,990
Accounts receivable - Members	3,377,672	2,853,757
- Other	66,689	22,035
Inventory	45,354	36,432
Prepaid expenses	<u>263,278</u>	<u>235,395</u>
	<u>7,409,121</u>	<u>6,174,609</u>
CAPITAL (Note 4)	<u>151,581</u>	<u>98,109</u>
	<u>\$ 7,560,702</u>	<u>\$ 6,272,718</u>
LIABILITIES AND MEMBERS' SURPLUS		
CURRENT		
Accounts payable	\$ 510,861	\$ 357,444
Government remittances	148,976	130,095
ASO claim reserve (Note 5)	934,454	819,999
Building reserve fund (Note 6)	-	18,954
Pension contributions payable	<u>2,486,212</u>	<u>2,052,536</u>
	<u>4,080,503</u>	<u>3,379,028</u>
MEMBERS' SURPLUS		
Opening Surplus	2,893,690	2,433,217
Current Year Surplus	<u>586,509</u>	<u>460,473</u>
Year End Surplus	<u>3,480,199</u>	<u>2,893,690</u>
	<u>\$ 7,560,702</u>	<u>\$ 6,272,718</u>

The accompanying notes form an integral part of these financial statements

ONTARIO MUTUAL INSURANCE ASSOCIATION

Statement of Operations

December 31, 2021

	2021	2020
REVENUES		
Association Fees	\$ 1,868,118	\$ 2,012,955
Interest	9,963	26,104
Sundry	2,248	2,102
Group Benefits		
Employee Benefit Receipts	\$ 8,369,401	\$ 7,535,544
Employee Benefit Fees & Direct Expenses	(18,974)	(5,566)
Employee Benefit Premiums	<u>(7,685,508)</u>	<u>(6,922,717)</u>
	<u>664,919</u>	<u>607,261</u>
Company Benefit Receipts	2,390,358	2,001,979
Company Benefit Premiums	<u>(2,313,090)</u>	<u>(1,928,713)</u>
	<u>77,268</u>	<u>73,266</u>
Trusteed Pension Receipts	16,899,718	14,531,527
Trusteed Pension Remittances	<u>(16,899,718)</u>	<u>(14,531,527)</u>
	<u>-</u>	<u>-</u>
	742,187	680,527
Conventions		
Revenue	120,101	13,350
Direct Expenses	<u>(68,053)</u>	<u>(5,493)</u>
	52,048	7,857
Education		
Revenue	496,896	343,115
Direct Expenses	<u>(87,982)</u>	<u>(96,909)</u>
	408,914	246,206
Forms & Marketing		
Sales	139,123	154,253
Cost of Sales	<u>(120,083)</u>	<u>(135,082)</u>
	19,040	19,171
Statistics		
Revenue	2,039,968	1,811,199
Direct Expenses	<u>(689,242)</u>	<u>(590,729)</u>
	<u>1,350,726</u>	<u>1,220,470</u>
	<u>4,453,244</u>	<u>4,215,392</u>
EXPENDITURES		
Salaries, Benefits and Pension Costs (Note 8)	2,783,137	2,704,216
Occupancy Costs	195,575	192,948
Promotional Activities	188,206	168,203
Industry Subscriber Fees	108,038	102,859
Programming & Software	81,832	86,339
Office Insurance	76,103	62,541
Amortization (Note 7)	74,468	56,113
Committees	69,684	90,431
Non-Recoverable G.S.T./H.S.T.	52,394	44,472
Professional Fees	49,219	73,123
Board Per Diems	49,015	43,420
General Office	40,290	50,738
Travel & Mileage	27,003	19,140
Workshops and Training	24,443	22,641
Communication Costs	23,683	23,754
Board Travel	22,981	13,722
Conference Attendance	664	-
Loss on Disposal of Capital Assets	-	259
	<u>3,866,735</u>	<u>3,754,919</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 586,509</u>	<u>\$ 460,473</u>

The accompanying notes form an integral part of these financial statements

ONTARIO MUTUAL INSURANCE ASSOCIATION

Statement of Cash Flows

December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 586,509	\$ 460,473
Items not effecting cash:		
Amortization	93,422	60,851
Loss on disposal of capital assets	<u> </u>	<u>259</u>
	<u>679,931</u>	<u>521,583</u>
Changes in non-cash working capital balances:		
Decrease (increase) in accounts receivable	(568,569)	(1,056,440)
Decrease (increase) in inventory	(8,922)	(6,225)
Decrease (increase) in prepaid expenses	(27,883)	12,932
Increase (decrease) in accounts payable and government remittances	172,298	21,968
Increase (decrease) in pension contributions payable	433,676	1,030,223
Increase (decrease) in ASO claim reserve	114,455	605,163
Increase (decrease) in Building Reserve Fund	(18,954)	(4,738)
Increase (decrease) in Deferred Revenues	<u> </u>	<u>(929)</u>
	<u>776,032</u>	<u>1,123,537</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(146,894)</u>	<u>(22,126)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	629,138	1,101,411
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,026,990</u>	<u>1,925,579</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,656,128</u>	<u>\$ 3,026,990</u>

The accompanying notes form an integral part of these financial statements

Ontario Mutual Insurance Association
Notes to Financial Statements
December 31, 2021

1. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

2. DESCRIPTION OF OPERATIONS

Ontario Mutual Insurance Association is a not-for-profit trade association that provides support services to its membership of farm mutual insurers across Canada. The Association is incorporated without share capital under the laws of the Province of Ontario. As a not-for-profit organization, the Association is exempt from income taxes under Section 149 of the Income Tax Act.

The continued operation of the Association is dependent upon the continued support of its membership.

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Association follows the deferral method of accounting for its contributions.

Accordingly, externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted funds are deferred and recognized as revenue in the year in which the related expenses are incurred.

Revenue is recognized on the accrual basis. Membership revenue is recognized in the period the service is provided.

Inventory

Inventory of forms and promotional material is valued at the lower of cost and net realizable value with the cost being determined on an average cost basis.

Employee future benefits

The Association has a defined benefit plan for its employees which is accounted for using the immediate recognition approach. Under this method, the accrued benefit obligation is based on an actuarial valuation completed in accordance with paragraph 3463.07 at least every three years for purposes of funding the plan. The accrued benefit obligation is reported net of fair value of plan assets. Actuarial gains and losses and all costs of the plan are expensed in the year incurred.

Ontario Mutual Insurance Association
Notes to Financial Statements
December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Furniture and equipment	20% declining balance method
Computer equipment	33% straightline method

Cash and cash equivalents

The Association considers cash and cash equivalents to be cash deposited in financial institutions and guaranteed investment certificates which have a maturity date of less than 12 months.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Measurement uncertainty

Certain amounts in the financial statements are subject to measurement uncertainty and are based on the Association's best information and judgment. Actual results could differ from these estimates.

Examples of significant estimates include:

- providing for amortization of capital assets;
- the estimated useful lives of assets;
- the allowance for doubtful accounts;
- the allowance for inventory obsolescence;
- certain actuarial and economic assumptions used in determining the defined benefit pension costs, accrued pension obligations and pension plan assets.

4. CAPITAL

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Furniture and equipment	442,977	394,709	48,268	57,785
Computer	<u>934,609</u>	<u>831,296</u>	<u>103,313</u>	<u>40,324</u>
	<u>1,377,586</u>	<u>1,226,005</u>	<u>151,581</u>	<u>98,109</u>

Ontario Mutual Insurance Association
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5. ASO CLAIM RESERVE

On January 1, 2004, the company entered into an "Administrative Service Only" self-insured agreement with Sun Life to fund the Health and Dental Benefits of participating member company employees. These amounts represent a reserve for future benefit payments. At yearend, the following amounts are being held in trust for this plan:

	<u>2021</u>	<u>2020</u>
Ontario Mutual Insurance Association	934,454	819,999
Sunlife Assurance Company	1,868	(42,614)
Bank of Montreal Nesbitt Burns	324,913	324,144
Bank of Montreal	<u>195,444</u>	<u>194,571</u>
	<u>1,456,679</u>	<u>1,296,100</u>

As at December 31, 2021, \$934,454 is payable to the plan.

6. BUILDING RESERVE FUND

In fiscal 2006, a Building Reserve fund was initiated to help fund the move to a future location. The Association expensed \$100,000 in fiscal 2006, 2007 and 2008. In November 2009, the Association moved to its new location. The building reserve fund was being recognized into income on the same basis as the amortization expense of the assets acquired during the move. The balance of the building fund was recognized in the current fiscal year.

The following amounts have been charged to the building reserve fund during the year:

	<u>2021</u>	<u>2020</u>
Opening balance	18,954	23,692
Recognized in operations	<u>(18,954)</u>	<u>(4,738)</u>
	<u>-</u>	<u>18,954</u>

The amount recognized into operations during the year is the reduction of amortization expense of \$18,954.

7. AMORTIZATION

	<u>2021</u>	<u>2020</u>
Amortization for the year	93,422	60,851
Building Reserve Fund recognized in operations (Note 6)	<u>(18,954)</u>	<u>(4,738)</u>
	<u>74,468</u>	<u>56,113</u>

Ontario Mutual Insurance Association
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December 31, 2021

8. PENSION PLAN COSTS

The Association is a member of a multi-employer defined benefit group pension plan which it sponsors on behalf of its members. The plan covers a majority of Association employees and pension benefits are based on length of service and final average earnings. As of January 1, 2017 all new hires are enrolled in the defined contribution pension plan provision which the Association also sponsors on behalf of its members.

An Actuarial Valuation of the plan as of January 1, 2020 revealed the plan was in a Going Concern surplus position. The Solvency Position was above the required 85% at that time, therefore no special payments were required as a result of the valuation. During 2020 the OMIA transfer ratio fell more than 10%, triggering the Financial Services Regulatory Authority (FSRA) to limit members lumpsum transfer value from the plan resulting in holdbacks. Late in 2021, the OMIA Board of Directors elected to make a funding call on members of the plan to pay the amount held back from the 2021 lumpsum transfers. That resulted in a funding call amount of \$51,400. In addition, the Association contributed an additional \$235,060 to the Plan during 2021 for normal pension benefit contributions.

The next valuation is scheduled to take place January 1, 2023 however the Association's Board of Directors will continue to monitor the position of the plan and may elect to call a valuation prior to that date.

9. FINANCIAL INSTRUMENTS

The Association's financial instruments consist of cash and cash equivalents, accounts receivable from members and others, accounts payable and accrued liabilities, ASO claim reserve and pension contributions payable. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant currency or credit risks arising from these financial instruments.

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Association is not exposed to any significant interest rate risk from its financial instruments.

The extent of the Association's exposure to the above risks did not change significantly during the year.

10. UNCERTAINTY REGARDING COVID-19

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

During the fiscal year the Association has experienced uncertainty regarding future revenues including conventions, education, and forms and marketing. Additionally there has been decrease of certain expenditures such as committees, general office, board travel, promotional activities, and travel & mileage since the beginning of the pandemic in early 2020.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.